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SUBJECT: COTE D'IVOIRE'S PALM OIL SECTOR

1. Summary. Cote d'Ivoire's palm oil production has increased steadily in recent years, and its exports have nearly doubled. However, it still accounts for only one percent of world production and half of one percent of world exports. Palm oil also directly accounted for less than 1 percent of GDP in 2005 but much of the oil is processed into secondary products for the domestic or export markets. Producers here are concerned about the long-term future of their sector due to higher costs and lower yields than the big Southeast Asian producers, but Cote d'Ivoire's production is nevertheless expected to increase significantly in coming years. Although Cote d'Ivoire may never become a major palm oil producer, it is at least holding on to its niche in West Africa. End Summary.

2. Table 1 shows Cote d'Ivoire's palm oil production. Except for a dip in 2002/2003, which industry sources tell us was the result of both bad weather and political instability after the September 2002 rebellion, production has increased steadily in recent years. Production increased by a total of 31 percent from 2001/2002 to 2004/2005, and is projected to increase by another 6 percent in 2005/2006. Cote d'Ivoire's share of world production has remained steady at about 1.0 percent.

Table 1 -- Cote d'Ivoire Palm Oil Production  
(000 metric tons)

2001/2002	260
2002/2003	234
2003/2004	308
2004/2005	340
2005/2006	360 (P)

Figures are for marketing years from October to September.

(P) - Projection.

Source: U.S. Department of Agriculture

3. Table 2 shows Cote d'Ivoire's palm oil exports, which increased by 87 percent from 2002 to 2005. The country's share of world exports went up slightly to half of one percent over this period. Almost all of the exports go to nearby West African countries. The biggest export increases have been to Senegal, Ghana and Mali.

Table 2 -- Cote d'Ivoire Palm Oil Exports  
(000 metric tons)

2002	65.3
2003	78.3
2004	109.4
2005	122.1

Source: Ivoirian Ministry of Agriculture

4. Table 3 shows the amount of area under oil palm cultivation, which grew by 44 percent from 2002 to 2005.

Table 3 -- Cote d'Ivoire Oil Palm Hectares Under Cultivation

2002 176,162  
2003 196,359  
2004 231,223  
2005 254,345  
Source: Industry sources

15. Ivoirian palm oil plantations consist of a central plantation and mill. These mills also process fruit sold by nearby smallholders/sharecroppers and village cooperatives. The plantation companies furnish the smallholders with seedlings, fertilizers, pesticides and technical assistance. The oil processed by the mills is sold for export or for further processing into secondary industrial products for the domestic and export markets. In addition, subsistence farmers harvest fruit from wild palm oil groves and extract the oil by traditional methods for local consumption. According to the Ministry of Finance, oil plantations employ 32,300 workers while another 13,400 are employed in processing facilities.

16. Privatization of the palm oil industry took place in 1997 when parastatal PALMINDUSTRIE was broken up and sold to three large, mostly private enterprises: PALM-CI, SIPEF-CI and PALMAFRIQUE. PALM-CI is the largest palm oil company in Cote d'Ivoire. It accounts for 2/3 of total production capacity and operates ten processing plants and 36,000 hectares of industrial plantations. PALM-CI processes over 70% of the total palm oil in Cote d'Ivoire, and employs 20,000 farmers and nearly 7000 salaried employees. Smallholder plantations working with PALM-CI alone account for nearly 50% of palm oil plantation area in Cote d'Ivoire with approximately 110,000 hectares. Major PALM-CI shareholders include Unilever, SIFCA and the Government of Cote d'Ivoire. According to PALM-CI, palm oil production in 2004 totaled 199,000 MT, up

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22 percent from 2003. SIPEFCI operates two processing plants and 12,700 hectares of industrial plantations, while PALMAFRIQUE operates three processing plants and 7,500 hectares of plantations. PALMAFRIQUE and SIPEF-CI each increased palm oil production by 13-14 percent between 2003 and 2004.

17. Producers here are concerned about the medium- to long-term future. While they have managed to hold on to their regional markets, these companies are finding it difficult to compete against the large Asian producers. Even in Cote d'Ivoire's domestic markets, imported secondary palm oil products such as cooking oil from Southeast Asia are crowding out their own. The Ivoirians tell us that electricity costs are more than twice as in Malaysia, while the average yield per hectare here is less than half of what it is in Indonesia and Malaysia. Producers here also complain about high Euro-pegged costs and lack of government interest in supporting the industry as compared with other agricultural products such as cocoa and coffee. However, despite the complaints, Cote d'Ivoire's largest producers are reinvesting in the sector and palm oil production should continue to rise over the next few years.

Valle